



UPC Court of Appeal
UPC_CoA_328/2024
APL_36389/2024
App_45255/2024

ORDER
of the Court of Appeal of the Unified Patent Court
issued on 26 August 2024
concerning a request for security for costs of a party in the Court of Appeal (R.158 RoP)

HEADNOTES:

- A party can rely on R.158 RoP and R.222.2 RoP to request the Court of Appeal to order the other party to provide adequate security for the legal costs and other expenses incurred and/or to be incurred by the requesting party in the appeal proceedings.

KEYWORDS:

Security for costs of a party, R.158 RoP

APPELLANT AND RESPONDENT IN THE APPLICATION (AND APPLICANT BEFORE THE COURT OF FIRST INSTANCE)

Ballinno B.V., Obdam, The Netherlands (hereinafter 'Ballinno')

represented by: Rien Broekstra, Attorney-at-law
(Vossius & Brinkhof, Amsterdam, The Netherlands)

RESPONDENTS IN THE APPEAL AND APPLICANTS (AND DEFENDANTS BEFORE THE COURT OF FIRST INSTANCE)

1. **Kinexon Sports & Media GmbH**, Munich, Germany
 2. **Union des Associations Européennes de Football (UEFA)**, Nyon, Switzerland
 3. **Kinexon GmbH**, Munich, Germany
- (hereinafter jointly referred to as the Kinexon companies and UEFA)

1-3 represented by Prof. Dr. Tilman Müller-Stoy, Rechtsanwalt
(Bardehle Pagenberg, Munich, Germany)

PATENT AT ISSUE

EP 1 944 067

PANEL AND DECIDING JUDGES

Second panel, consisting of

Rian Kalden, Presiding judge and legally qualified judge

Ingeborg Simonsson, legally qualified judge and judge-rapporteur

Patricia Rombach, legally qualified judge

Guillaume Faget, technically qualified judge

Elisabetta Papa, technically qualified judge

IMPUGNED DECISIONS OR ORDERS OF THE COURT OF FIRST INSTANCE

- Date of upload in CMS: 15 May 2024, ORD_23557/2024 (delivered on 14 May 2024), App_23209/2024, UPC_CFI_151/2024
- Date: 3 June 2024, ORD_33145/2024, App_26791/2024 (Order without grounds), and 28 June 2024, ORD_33151/2024 in workflow ORD_33150/2024, ACT_16267/2024, UPC_CFI_151/2024 (Order with grounds)

POINT AT ISSUE

Request for security for costs of the proceedings before the Court of Appeal, in the presence of an existing order by the Court of First Instance on security for costs

SUMMARY OF FACTS

1. Ballinno applied for preliminary measures before the Court of First Instance, Hamburg Local Division. The Kinexon companies and UEFA requested an order requiring Ballinno to provide security for costs. The Local Division ordered Ballinno to provide security for the legal costs of Kinexon companies and UEFA in the (total) amount of € 56.000, by deposit or bank guarantee (order dated 14 May 2024, uploaded on 15 May 2024, hereinafter 'the security order').
2. Through the order of 3 June 2024 (order without grounds) and 28 June 2024 (order with grounds), the Local Division dismissed the application for provisional measures (hereinafter 'the main order'). Ballinno was ordered to pay the costs of the proceedings and the value of the dispute was set to € 500.000.
3. Ballinno has appealed both the security order and the main order. Although Ballinno has made clear that it is no longer claiming a provisional injunction, Ballinno is requesting that the main order be set aside in its entirety; that the security order be set aside in its entirety; that the Kinexon companies and UEFA be ordered jointly and severally to pay the costs of the proceedings at the CFI and on appeal, immediately enforceable; and that the value of the dispute be set to € 56.000.00.
4. On 5 August 2024, the Kinexon companies and UEFA submitted a request for security for costs of the appeal proceedings. On 13 August 2024 Ballinno filed a reply to said request.

PARTIES' REQUESTS

5. The Kinexon companies and UEFA are requesting that:
 - Ballinno be ordered to provide security for the legal costs and other expenses incurred and/or to be incurred by Kinexon companies and UEFA in the second instance in the amount of at least € 56.000 within a time period to be specified by the Court, in any event in due time prior to the oral hearing;

- A decision by default be issued against Ballinno if Ballinno fails to provide such security within the time specified by the Court of Appeal and the appeal (APL_36389/2024) is dismissed.

6. Ballinno's position is that the request should be rejected.

PARTIES' SUBMISSIONS

The Kinexon companies and UEFA are in summary submitting the following:

7. Ballinno's financial background and its ability to bear the legal fees is non-existent. There is a high risk of insolvency of Ballinno when it comes to reimbursement of costs of proceedings.
8. Ballinno lacks substantial assets to adequately secure reimbursement of the litigation costs for the following reasons. Ballinno is a limited liability company incorporated under the laws of the Netherlands, with the sole shareholder and the only member of the board being Petrus Mathias Borst, one of the inventors named in the patent-in-suit. Ballinno's issued capital is € 1 and it has no known assets, not even an office, other than the patent-in-suit. Furthermore, just shortly before the application for provisional measures was filed, the patent-in-suit was assigned to Ballinno by Invit B.V. on 22 January 2024. The transfer was performed months after the assignor, Invit B.V., entered into a pre-trial correspondence with the Kinexon companies. As already pointed out correctly by the CFI in the security order, the obvious sole purpose of this assignment was to facilitate this litigation without any financial risk to Ballinno and its shareholder and to use Ballinno as a mere litigation vehicle. Nothing else follows from Ballinno's allegations.
9. It must still be assumed that it would be inadequately difficult for the Kinexon companies and UEFA to successfully enforce their claim for reimbursement of costs of the appeal proceedings without a respective security to be provided by Ballinno.
10. The Kinexon companies and UEFA propose that Ballinno be ordered to provide a security equal to the maximum amount of recoverable costs as set out in the Administrative Committee's scale of ceilings for recoverable costs.
11. Article 69(4) UPCA and R.158.1 RoP are both applicable in proceedings for the application of provisional measures according to Article 62 UPCA. Article 69(4) UPCA explicitly refers to such proceedings so that R.158 RoP is applicable as well.
12. A request for an order of security for legal costs should be granted if there is reason to believe that the financial position of the other party gives rise to concern that a possible claim for reimbursement of costs may not be recoverable or that, despite sufficient financial means, the enforcement of a decision on costs appears to be impossible or unduly burdensome.

Ballinno is in summary submitting the following:

13. R.158 RoP regarding the Security for costs of a party can be found in Chapter 6 of Part 1 of the Rules of Procedure. Part 1 of the Rules is titled: "Procedures before the court of first instance". Consequently,

R.158 RoP is not applicable to actions for preliminary measures for which the relevant rules can be found in Part 3 of the Rules (“Provisional measures”). Likewise, R.158 RoP is not applicable to procedures before the Court of Appeal, for which the relevant rules can be found in Part 4 of the Rules (“Procedures before the Court of Appeal”).

14. That the Court of Appeal cannot order security for costs can also be inferred from the fact that such an order should be an appealable decision in accordance with R.220.2 RoP (see R.158.3 RoP). However, according to R.220.2 RoP, an order by the Court of Appeal on the security for costs cannot be appealed as it cannot be “the subject of an appeal together with the appeal against the decision” and also cannot be “appealed with the leave of the Court of First Instance”.
15. Alternatively, the provision of security is not justified. Ballinno has the financial means to cover potential legal costs. The issued capital of EUR 1 visible on the excerpt of the Chambers of Commerce does not determine nor reflect the cash reserves or cash flow of Ballinno and thus its insolvency risks.
16. The transfer of the patent from Inuit B.V. to Ballinno was not aimed to facilitate litigation without financial risk. Rather, Ballinno was created to protect the unrelated business of Mr. Borst (the inventor of the patent and sole shareholder of both Inuit B.V. and Ballinno) from unexpected large risks associated with patent litigation.
17. Mr. Borst did take due account of the legitimate interests of the Kinexon companies and UEFA by providing Ballinno with sufficient cash reserves to cover liability for reasonable and proportionate legal fees due in case of a loss. Along with the patent, Ballinno was infused with over € 100.000 in cash to cover potential liability versus third parties stemming from patent enforcement.
18. Ballinno has previously provided the ordered security of € 56.000 within a week after the CFI Hamburg ordered it to do so.
19. The provision of security would hamper Ballinno’s access to justice. The Court of Appeal should take due account of its SME status. Ballinno is fully owned by Mr. Borst, is a micro-enterprise within the meaning of Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises. Inuit B.V., the family business of Mr. Borst and previous owner of the patent, also does not have an annual turnover and balance sheet exceeding EUR 10 million and should thus be considered a small enterprise.
20. In contrast, the financially powerful Kinexon companies and UEFA are repeatedly leveraging their financial position in an attempt to prevent Ballinno from pursuing its rights.
21. Further in the alternative, the ordered security should be lower. At most, the security should be € 38.000 for a proceeding with a value of up to € 250.000, according to the Administrative Committee’s Decision on the Scale of Ceilings for Recoverable Costs. Ballinno, in the Grounds of appeal, requested the value of the case of appeal to be set to € 56.000. As Ballinno does not request an injunction but merely to order the Kinexon companies and UEFA to pay the costs of the proceedings at the CFI, the value of the case is limited to the value of the cost order that was rendered in first instance. As the cost order is capped at € 56.000, the value of the case in appeal cannot exceed beyond said amount.

22. The security should be lower than the assigned maximum or the ceiling should be lowered in accordance with Article 2 of the Decision on the Scale of Ceilings. The value of the case is much lower than the € 250.000 for which € 38.000 of security would be appropriate. The security should thus be lowered proportionally. Moreover, according to Article 2 of the aforementioned Decision, the Court shall take particular due account of the consequences for the SME.

REASONS

23. Article 69(4) UPCA provides that, at the request of the defendant, the Court may order the applicant to provide adequate security for the legal costs and other expenses incurred by the defendant which the applicant may be liable to bear, in particular in the cases referred to in Articles 59 to 62 UPCA.
24. An application for provisional measures, such as the one brought by Ballinno, falls in the category of provisional and protective measures as envisaged in Article 62 UPCA, and is thus encompassed by Article 69(4) UPCA.
25. Article 69(4) UPCA is not limited to the proceedings at first instance. The principles underlying the provision on security for costs under Art. 69(4) UPCA apply equally to first instance and appeal proceedings.
26. R.158 RoP makes the possibility of obtaining such an order a reality, by providing that at any time during proceedings, following a reasoned request by one party, the Court may order the other party to provide, within a specified time period, adequate security for the legal costs and other expenses incurred and/or to be incurred by the requesting party, which the other party may be liable to bear.
27. The position of R.158 RoP in Chapter 6 in Part 1 of the Rules, entitled Procedures before the CFI, is not determinative for the application of this provision in appeal proceedings.
28. On the contrary, the wording “at any time during proceedings” indicates that such a request can indeed be made in appeal proceedings.
29. Contrary to what Ballinno is submitting, R.158.3 RoP, which provides that the order for security shall indicate that an appeal may be lodged in accordance with Article 73 UPCA and R.220.2 RoP, does not preclude a party from requesting security for costs in the appeal proceedings in a situation such as this one.
30. R.222.2(a) RoP ensures, as far as is relevant here, that a party can make a request, not submitted before the Court of First Instance, for an order for security for costs before the Court of Appeal, provided that the party can justify that the request could not reasonably have been made during proceedings before the Court of First Instance.
31. A party requesting the Court of First Instance for an order for security for costs will not know at the time whether there will be appeal proceedings and the extent thereof. If the Court of First Instance would always assume that there will be an appeal, and calculate security accordingly, it would place a heavy and sometimes unnecessary burden on the party who has to provide the security.

32. This view is further reinforced by the fact that the Scale of ceilings for recoverable costs, adopted by the Administrative Committee on 24 April 2023, provides in Article 1(3) that the ceiling shall be applied to each instance of the Court proceedings regardless of the number of parties, claims or patents concerned.
33. The appropriateness of ordering security for costs for appeal proceedings, as well as the determination of an adequate amount, can best be assessed once the existence and scope of an appeal can be seen.
34. For these reasons, a party can rely on R.158 RoP and R.222.2 RoP to request the Court of Appeal to order the other party to provide adequate security for the legal costs and other expenses incurred and/or to be incurred by the requesting party.
35. Contrary to Ballinno's view, the provision of security does not hamper Ballinno's access to justice. National rules on the provision of security for costs have been assessed several times by the Court of Justice of the European Union and held compatible with EU law provided they do not discriminate in relation to nationals of other Member States and that the litigant is not denied the opportunity to present his case effectively before the court (see for example judgment of 7 April 2011 in C-291/09 Francesco Guarnieri & Cie, ECLI:EU:C:2011:217, para 19, and judgment of 22 December 2010 in C-279/09 DEB, ECLI:EU:C:2010:811, paras 45-47 and 61).
36. The Court of Appeal considers that the facts presented by the Kinexon companies and UEFA (para 8 above) give rise to a concern that a possible cost order against Ballinno might not be recoverable by the Kinexon companies and UEFA.
37. Ballinno has not brought anything forward to negate that risk. Indeed, the latest evidence presented by Ballinno demonstrates that it has € 101.907,64 on its bank account. In the event of a procedural loss, Ballinno must be able to cover both its own litigation costs – which may well exceed the applicable ceiling – and that of the other parties.
38. Ballinno has not explained its overall financial situation (assets, liabilities, costs, incomes, financial risks). The absence of such information – and the uncertainty that the liquid funds will not be transferred – makes it impossible to make an educated prognosis about the realistic chances for the Kinexon companies and UEFA to recover costs later on.
39. Ballinno should by consequence be ordered to provide security for the legal costs and other expenses incurred and/or to be incurred by the Kinexon companies and UEFA in the proceedings before the Court of Appeal in this case.
40. As to what amount the security should be set to, the scope of the appeal proceedings is more limited than in the Court of First Instance, given that Ballinno is no longer claiming preliminary measures. Ballinno is arguing that it still has a sufficient legal interest in an appeal decision setting aside the first instance decision and the cost order against Ballinno.

41. Against this background, and taking into account that the Court of Appeal may at a later stage lower the ceiling for recoverable costs in the appeal proceedings, an adequate security can be determined at € 25.000 presently.

42. If Ballinno fails to provide security within two weeks from this order, the Court may give a decision by default pursuant to R.355 RoP.

ORDER

The Court of Appeal orders Ballinno B.V. to provide security for the legal costs of Kinexon Sports & Media GmbH, Kinexon GmbH and Union des Associations Européennes de Football (UEFA), in the (total) amount of € 25.000. The security has to be provided within two weeks from the reception of this order. Ballinno B.V. is free to provide the security by deposit or bank guarantee.

Issued on 26 August 2024

Rian Kalden, Presiding judge and legally qualified judge

Ingeborg Simonsson, legally qualified judge and judge-rapporteur

Patricia Rombach, legally qualified judge

Guillaume Faget, technically qualified judge

Elisabetta Papa, technically qualified judge